

Consumer Help Line
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consumer@utc.wa.gov

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Education and Outreach
360-664-1110

Media Line
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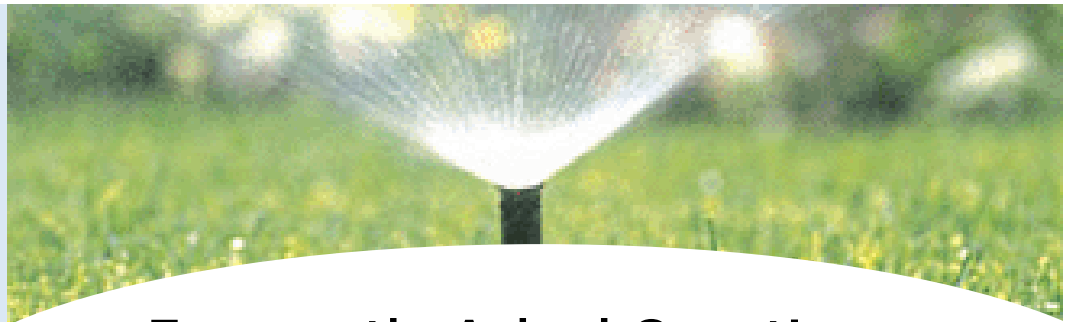
The UTC regulates the services of privately or investor owned utility and transportation companies. Our mission is to ensure that services are fairly priced, available, reliable and safe.

Regulated companies:

- Telephone
- Electricity
- Natural Gas
- Water
- Garbage
- Recycling
- Residential Movers
- Charter Buses
- Airport Shuttles
- Commercial Ferries
- Natural Gas Pipeline

General Information
360-664-1160
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Frequently Asked Questions: Water Rates

The Utilities and Transportation Commission (commission) regulates privately-owned water companies, which serve more than 100 customers or have charges that exceed an average of \$471 per customer per year. The commission does not regulate the rates or services of city, town or county water systems, Public Utility Districts, cooperative or homeowners' associations.

How does the commission review rates?

In reviewing rate increase requests, the commission functions much like a court and must decide the case based on the evidence brought before it. Regulated water companies can propose rate increases at any time, for any amount. Before a proposed rate increase takes effect, it must be filed with the commission and customers must be notified. Commission staff then reviews the request. Staff's review is then presented to the commissioners for decision at an open public meeting, normally held in Olympia.

Many factors can lead to rate increase proposals: old pipes, storage tanks and treatment equipment may need to be upgraded or replaced or operating costs, such as the cost of electrical services or gas for repair trucks, can increase. Companies are not allowed to spend unreasonable amounts on their facilities or operations. State law requires rates to be fair and reasonable for customers but high enough to allow the company the opportunity to earn a return on capital. The commission can set service standards and penalize companies for poor service, but it cannot deny rates that are needed to cover legitimate costs. Rates are based on each company's specific costs structure and are not based on what customers of other water companies pay. Therefore, rates vary widely among companies.

FAQ: Water Company Rates

How do I learn about rate increases?

Companies regulated by the commission must give customers a minimum 30 days advance notice of any proposed rate increases. The notice must explain to customers how the company's proposal may affect them and how to comment on a proposal before the commission takes action. Once a rate increase is proposed, the commission can keep you updated on the decision status as an interested person.

How often can a water company apply for a rate increase?

There are no restrictions on how often a company can file to increase rates. However, the company has the burden to demonstrate to the commission that it requires additional revenue and must comply with all filing requirements.

What are the steps in a rate case?

The company files a rate increase proposal and necessary financial information with the commission and notifies customers. Rates may go into effect in 30 days unless the commission suspends the increase for further investigation. Commission staff reviews the company's financial information, making adjustments for expenses that are unreasonable, for one-time expenditures and for expenses that should not be charged to customers. Based on commission staff's review, if they believe the request is justified, they will recommend that the commission allow the increase. If staff believes the company has not proven the need for more money, they may recommend a revised, lower rate be approved or that the commission suspend the rate increase and hold hearings. Before the 30-day period ends, the commission decides whether to approve the increase at one of its regularly scheduled open meetings. At the open meeting, staff present their recommendations and a summary of previously received customer comments, representatives from the company and other agencies such as the Department of Health may comment and customers are invited to speak.

What does commission staff review during a company's rate increase proposal?

Commission staff looks at five main issues:

1. Actual cost to provide service based on 12 months of financial information, excluding items for which money cannot be recovered from customers (e.g., political contributions and fines);
2. The company's total investment in equipment used to provide service (called rate base);
3. The appropriate profit level (called rate of return) the company should be allowed for its investments;
4. The appropriate amount that each customer class (residential, commercial or industrial) should pay;
5. The rate design. Monthly rates are either flat-rated service (unlimited water usage) or metered service (customers pay for what they use). Metered rates include a base charge, which may or may not include an amount of water, and usage blocks.

FAQ: Water Company Rates

What is a surcharge?

A surcharge is a tool a water company can use to fund specific capital projects, as required by the Department of Health (DOH), to provide water quality or improve quantity. A surcharge has a specific use and is a temporary charge to customers. The surcharge is removed from customers' bills when the project is paid in full.

My water is fine, why should I have to pay to repair a water system that does not supply water to me?

Customers benefit from economies of scale: more customers paying for the necessary repairs results in a lower cost per customer. The commission sets a single rate that applies to all customers on all water systems that a company owns, known as Single Tariff Pricing.

An important exception to Single Tariff Pricing occurs when customers on a system vote to pay for **voluntary** services, such as a surcharge for a backup generator if DOH does not require one or installation of fire flow when the fire marshal does not require it. To implement voluntary surcharges, the company must send ballots to all affected customers. If the majority of voting customers are in favor, then the company will file a proposal with the commission and only those customers on the affected water system will pay the surcharge.

Can a water company seek a rate increase if the water quality is not up to Department of Health standards?

Yes. The company can seek a rate increase to recover its reasonable costs of doing business.

If a water company is fined by the commission or Department of Health, can the company recover the fine in customer rates?

No. Any fines or penalties levied on a water company are removed from expenses used to set water rates.

What can I do if I'm experiencing water service problems (such as rate, billing, meter, or service connections)?

You should first notify your company, ask to speak with a supervisor if necessary. It is important to give your company a chance to fix the problem. If you are not satisfied with the company's response, you may contact the commission's Consumer Protection department at 1-888-333-WUTC (9882).

Is there a law restricting a water company from buying more water systems?

No.

FAQ: Water Company Rates

Can a regulated water company purchase a non-regulated water company?

Yes. The commission does not have jurisdiction over a regulated company purchasing a non-regulated company. After a regulated water company buys a non-regulated water system, the regulated company must continue to charge the current rates that the non-regulated customers paid, unless the company obtains commission approval to charge a different rate.

How can I submit a comment?

The commission carefully considers public comments before making decisions. Public comments can identify issues that need to be addressed, including the way rates are set and safety concerns.

To make your comments most effective, please:

- Clearly state the company and the filing your comments are regarding, include the docket number if you know it.
- Put your name, mailing address and phone number on the letter itself in case we need to contact you.
- Be as clear and specific as you can about your opinions and your position on the increase.

If you need more information about the status of a particular case, do not hesitate to contact the commission. Based on the information presented at the open meeting, the commission may decide to approve the new rates without formal hearings. Instead of approving the rates at the open meeting, the commission may decide that more review is needed to determine if the proposal is appropriate. If so, the commission votes to suspend the increase from taking effect for more review.

Usually a revised proposal is developed and brought back to an open meeting for consideration.

You can also comment on a proposed rate increase online at www.utc.wa.gov/comment.

For More Information

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